



BLUE SEA PHILANTHROPY USA

FINANCIAL STATEMENTS

DECEMBER 31, 2023

CJBS, LLC

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BLUE SEA PHILANTHROPY USA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Blue Sea Philanthropy USA
Leesburg, Virginia

Opinion

We have audited the accompanying financial statements of Blue Sea Philanthropy USA (a nonprofit organization, subsidiary of Blue Sea Philanthropy Inc. o/a Blue Sea Foundation incorporated without share capital under the laws of Canada as a registered charitable organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Sea Philanthropy USA as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blue Sea Philanthropy USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Sea Philanthropy USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

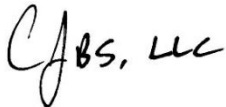
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Blue Sea Philanthropy USA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Blue Sea Philanthropy USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "CJBS, LLC". The letters are cursive and somewhat stylized.

CJBS, LLC
Northbrook, Illinois

February 13, 2025

BLUE SEA PHILANTHROPY USA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

<u>ASSETS</u>	<u>2023</u>
Cash and cash equivalents	\$ 208,078
TOTAL ASSETS	<u>\$ 208,078</u>
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES	
Due to Parent	\$ 102,850
Deferred revenue	<u>26,574</u>
TOTAL LIABILITIES	<u>129,424</u>
NET ASSETS	
Without donor restrictions	69,796
With donor restrictions	<u>8,858</u>
TOTAL NET ASSETS	<u>78,654</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 208,078</u>

The accompanying notes are an integral part of these financial statements.

BLUE SEA PHILANTHROPY USA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 606,367	\$ 8,858	\$ 615,225
Sponsorships	55,251	-	55,251
Net Assets released from restrictions	3,022	(3,022)	-
TOTAL SUPPORT AND REVENUE	<u>\$ 664,640</u>	<u>\$ 5,836</u>	<u>\$ 670,476</u>
EXPENSES			
Program expenses	\$ 549,963	-	\$ 549,963
Management and general	51,351	-	51,351
TOTAL EXPENSES	<u>601,314</u>	<u>-</u>	<u>601,314</u>
CHANGE IN NET ASSETS	63,326	5,836	69,162
NET ASSETS, BEGINNING OF YEAR	<u>6,470</u>	<u>3,022</u>	<u>9,492</u>
NET ASSETS, END OF YEAR	<u>\$ 69,796</u>	<u>\$ 8,858</u>	<u>\$ 78,654</u>

The accompanying notes are an integral part of these financial statements.

BLUE SEA PHILANTHROPY USA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Coldest Night of the Year	Total Program	Management and General	Total Expenses 2023
EXPENSES				
Grants	\$ 499,349	\$ 499,349	\$ -	\$ 499,349
Bank and credit card fees	17,032	17,032	1,403	18,435
Advertising	-	-	772	772
Supplies and other costs	33,582	33,582	77	33,659
Insurance	-	-	4,955	4,955
Management fee, related party	-	-	33,050	33,050
Computer equipment and software	-	-	8,148	8,148
Professional fees	-	-	2,946	2,946
TOTAL EXPENSES	\$ 549,963	\$ 549,963	\$ 51,351	\$ 601,314

The accompanying notes are an integral part of these financial statements.

BLUE SEA PHILANTHROPY USA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 69,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in assets:	
Prepaid expenses and other assets	4,903
Increase (decrease) in liabilities:	
Due to Parent	76,398
Deferred revenue	17,507
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	167,970
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 167,970
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 40,108
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 208,078

The accompanying notes are an integral part of these financial statements.

BLUE SEA PHILANTHROPY USA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Blue Sea Philanthropy USA (the "Organization"), a Virginia non-profit organization created in 2015, is a subsidiary of Blue Sea Philanthropy Inc. o/a Blue Sea Foundation incorporated without share capital under the laws of Canada as a registered charitable organization (the "BSF-CAN," the "Parent"). BSF-CAN has a controlling financial interest through the power to appoint the majority of the Blue Sea Philanthropy USA's board.

Blue Sea Philanthropy USA improves the efficiency and effectiveness of other registered charities by providing centralized fundraising events that offer registered charities access to specialized expertise in planning, execution, administration, and inherent economies of scale related to such events. Based on specific criteria, charities participating in the Organization's events are eligible to receive grants.

The following summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. The accounting policies conform to the accounting principles generally accepted in the United States of America and have been consistently applied in preparation of the financial statements.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles (GAAP).

The Organization reports information regarding its financial position and activities according to two classes of net assets: *net assets without donor restrictions* and *net assets with donor restrictions*.

Net assets without donor restrictions are resources available to support operations and are not subject to the grantor or donor-imposed restrictions. It is the policy of the Board of Directors of the Organization to review its plans for future operations of the Organization and, from time to time to designate appropriate sums of *net assets without donor restrictions* to assure adequate financing of such operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that a donor restricts for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that a donor restricts that the resources be maintained in perpetuity.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

BLUE SEA PHILANTHROPY USA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue from Contributions

Contributions are recognized when cash or other assets, an unconditional promise to give, or notification of beneficial interest is received. The Organization determines whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met, or the donor has explicitly released the restriction. Conditional promises to give received in advance are recorded as deferred revenue.

Revenue from Donated Services and In-Kind Contributions

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization annually receives a significant amount of donated services from volunteers. Because the majority of these donated services do not meet the U.S. GAAP requirements for recognition of professional services or creation or enhancement of non-financial assets, no value has been reflected in the accompanying financial statements.

Advertising Expenses

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those held for long-term investment.

BLUE SEA PHILANTHROPY USA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the rate commensurate with the risks involved and upon the rate applicable to the year in which the promise is received. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Based on management review of the outstanding amounts including factors such as collection history and types of contributions, there were no doubtful receivables estimated.

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Certain expenditures less than \$5,000 may be capitalized at the discretion of management. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 15 years, or in the case of leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Contribution payable

A contribution made and a corresponding contribution received generally are recognized by both the donor and the donee at the same time, that is, when made or received, respectively, or if conditional, when the barrier is overcome. Contributions made are recognized as expenses in the period made and as decreases of assets or increases of liabilities depending on the form of the benefits given. Conditional contributions made are expensed and considered payable only when the conditions on which they depend are substantially met and the promises become unconditional.

Income Taxes

Blue Sea Philanthropy USA is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code (the "Code"), except to the extent it has unrelated business income.

The Organization follows the guidance of Accounting Standards Codification (ASC 740), *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the year ended December 31, 2023. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

BLUE SEA PHILANTHROPY USA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE B – PROGRAMS

Coldest Night of the Year Event

Blue Sea Philanthropy USA operates a fundraising event with different charities in the United States of America called "Coldest Night of the Year" (or "CNOY"; the "Event"). The Event is operated on the same date, usually in February, at multiple locations around the country. The "Coldest Night of the Year" is the Parent company's trademark, which has authorized Blue Sea Philanthropy USA the rights to use the trademarks.

Participating Charities, unrelated 501(c)(3) nonprofit organizations that applied to Blue Sea Philanthropy USA to operate the Coldest Night of the Year Event, will operate the Event under the oversight and supervision of the Organization subject to the terms and conditions of individual signed agreements. As more detailed in the agreements, all donations and sponsorship payments are the property of Blue Sea Philanthropy USA. Grant payouts to participating charities follow a payout grid rate of 70% to 85% based on total donor and sponsorship revenues verified as received by the Organization. The charities receiving the grants were able to support their existing programs, which generally provide food, shelter, or other services to individuals and families experiencing homelessness.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity to be able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial position dates, comprise the following:

Financial assets:

Cash and cash equivalents	<u>\$ 199,220</u>
Total financial assets and liquidity resources available within one year	<u><u>\$ 199,220</u></u>

As part of the Organization's liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations when they come due.

NOTE D –CONDITIONAL PROMISES TO GIVE AND DEFERRED REVENUE

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met, or the donor has explicitly released the restriction. Conditional promises to give received in advance are recorded as deferred revenue.

Conditional promises to give received in advance as of December 31, 2023, available for spending in the following year when the conditions are expected to be met are as follows:

	<u>2023</u>
Coldest Night of the Year Event	
Deferred revenue, beginning of the year	\$ 9,067
Deferred revenue, ending of the year	\$ 26,574

BLUE SEA PHILANTHROPY USA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE E- CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. The Federal Deposit Insurance Corporation (FDIC) provides separate coverage for deposits held in different account ownership categories. All deposits that an accountholder has in the same ownership category at the same bank are added together and insured up to the standard insurance amount. At times, cash and cash equivalents balances may be in excess of the FDIC insurance limit; that excess is uninsured.

More than twenty charities registered to operate the Coldest Night of the Year Event on February 25, 2023, and approximately 8000 individual donors supported the event. Three participating charities on the Coldest Night of the Year Event fundraised approximately 44% of the revenue for the year and received approximately 49% of the grant expense during the year ended December 31, 2023.

NOTE F – RELATED PARTY TRANSACTIONS

Blue Sea Philanthropy USA is a subsidiary of Blue Sea Philanthropy Inc. o/a Blue Sea Foundation incorporated without share capital under the laws of Canada as a registered charitable organization. BSF-CAN has a controlling financial interest through the power to appoint the majority of the Blue Sea Philanthropy USA's board.

Based on a three-year management agreement with the Parent company expiring on June 24, 2024, and subsequently renewed for an additional three years, the Organization pays BSP-CAN the following fees:

- For the use of BSP-CAN's services, including but not limited to the use of BSP-CAN administrative staff, procedure manuals, event processes, and customer services, the Organization pays BSP-CAN five percent (5.0%) of the gross revenue from each BSP-USA event where such services are utilized. Under the renewed agreement, the percentage was modified from five percent (5.0%) to ten percent (10.0%).

	<u>2023</u>
Due to Parent, beginning of the year	\$ 26,452
Expensed, cost recovery	43,348
Expensed, service agreement fee	<u>33,050</u>
Due to Parent, ending of the year	<u>\$ 102,850</u>

NOTE G- SUBSEQUENT EVENTS

The management of the Organization has evaluated events subsequent to the statement of financial position date of December 31 2023, through February 13, 2025, the date the financial statements were available to be issued. It has concluded that there are no effects that provide additional evidence about conditions that existed at the statement of financial position date that require recognition in the 2023 financial statements or related note disclosures in accordance with FASB ASC 855, *Subsequent Events*.